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# **U.S. Environmental Protection Agency**

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## **State Innovation Grant Program; Solicitation Notice**

## **OVERVIEW**

### **U.S. Environmental Protection Agency - State Innovation Grant Program**

- O-1. AGENCY:** U.S. Environmental Protection Agency (EPA).  
National Center for Environmental Innovation (NCEI).
- O-2. FUNDING OPPORTUNITY TITLE:** State Innovation Grant Program  
**ACTION:** Solicitation of proposals for 2003-2004 Competition and Award Cycle.
- O-3. ANNOUNCEMENT TYPE:** Initial Announcement
- O-4. FUNDING OPPORTUNITY NUMBER:** EPA-OPEI-OEPI-04-01
- O-5. CFDA TITLE AND NUMBER:** This solicitation of proposals for an assistance agreement program is offered under the Catalogue of Federal Domestic Assistance Number 66.611, "Environmental Policy and Innovation Grants."
- O-6. DATES:** Announcement - October 30, 2003  
  
Pre-Proposal Response Date: - January 7, 2004  
  
Selection Decisions - Mid-winter 2004  
  
Request for Final Application Packages - Mid-winter 2004  
  
Submission deadline for Final Application Packages - Late winter 2004.
- O-7. SUMMARY:**
- O-7.1. Program Overview:** The U.S. Environmental Protection Agency (EPA) is soliciting proposals for an assistance agreement program (the "State Innovation Grant Program") in an effort to support innovation by State environmental regulatory agencies. In April 2002, EPA issued its plan for future innovation efforts, published as *Innovating for Better Environmental Results: A*

*Strategy to Guide the Next Generation of Innovation at EPA (EPA 100-R-02-002;*  
<http://www.epa.gov/opei/strategy>).

This assistance agreement program strengthens EPA's partnership with the States by assisting State innovation that supports the *Strategy*. EPA would like to help States build on previous experience and undertake strategic innovation projects that promote larger-scale models for "next generation" environmental protection and promise better environmental results. EPA is interested in funding projects that go beyond a single facility experiment to obtain better results from a program, process, or sector-wide innovation. EPA is particularly interested in innovation that promotes integrated (cross-media) environmental management and is transferable to other States.

This year's program builds upon a pilot program developed by EPA in 2002 that provided assistance agreements for projects featuring innovations in permitting. Projects that received initial awards in the 2002 competition under this category included:

- Massachusetts - for development of a pilot watershed-based permitting program;
- Delaware - for an auto body sector Environmental Results Program;
- Illinois - to develop a system that allows permit holders to make certain permit modifications without prior regulatory approval if they have demonstrated strong environmental stewardship by developing and implementing formal environmental management systems (EMS);
- Texas - to integrate a requirement for EMSs into air and water permitting programs to help drive continuous environmental improvement;

- Colorado - to create facility-level compacts with select industry sectors that eliminate the need for multiple permits and provide a more comprehensive framework for managing environmental activities;
- Arizona - for development of an automated web-based screening and stormwater permitting application system that is linked to GIS information on land use and runoff; and
- Oregon - to develop a streamlined process for managing sediments that will enable faster and more economical decisions about beneficial reuse and other disposal options.

For more information on the 2002 solicitation and awards, please see the EPA State Innovation Grants website at: <http://www.epa.gov/innovation/stategrants/sig2002.htm>, or contact the EPA point of contact identified in section 4.4 below.

The 2003-2004 program will retain “innovation in permitting” as a focus area for the solicitation. Contingent upon Congressional approval of the President’s proposed FY 2004 Budget, EPA anticipates that funding in excess of one million dollars (\$1,000,000) may be available for the State Innovation Grant Program for the 2003-2004 competition and awards. This level of funding will support up to twenty (20) projects that can produce results in two to three years.

EPA’s National Center for Environmental Innovation (NCEI) is managing the competition for the State Innovation Grants in collaboration with the National Program Offices at headquarters and the EPA Regional Offices. This year, EPA’s Office of Solid Waste and Emergency Response

(OSWER) is participating by providing funding for a project they will select under this solicitation related to the use of Environmental Management Systems under the Resource Conservation and Recovery Act (RCRA) permitting provisions.

**O-7.2. Grants or Cooperative Agreements and the Substantive Federal Involvement:** EPA may award assistance as either grants or cooperative agreements depending upon the nature of each selected proposal. If the award is a cooperative agreement, the recipients may expect the substantial involvement of the Federal Grants Project Officer in activities such as: review of project plans and analysis plans, review of quality assurance plans, information acquisition planning, identification of candidate peer reviewers; coordination with other points within EPA and other Federal Agencies; development of project evaluations; and other similar activities. While this solicitation makes frequent reference to this funding opportunity as a “Grants” Program for the sake of simplification, it should be understood that EPA retains the flexibility to select the most appropriate assistance agreement mechanism.

**O-7.3. Eligible Applicants:** Only the principal environmental regulatory agency from each State, the District of Columbia and the U.S. Territories are eligible for this 2003-2004 assistance program. EPA intends to expand this program to include innovation by Native American Tribes, but to do so in a separate solicitation to follow. States are encouraged to partner with Native American Tribes in developing proposals for this solicitation.

**O-7.4. Cost Sharing:** There is no requirement for cost sharing. However, State proposals will be evaluated more favorably if financial or in-kind leveraging is offered.

**O-7.5. Limitations on the Number of Applications Per Applicant:** For the 2003-2004 application process, each State's principal environmental regulatory agency (generally, where delegated authorities exist for Federal environmental statutes) may submit only one proposal. There is one exception to this requirement: a State's environmental regulatory agency is encouraged to team with other State government agencies in that State or with neighboring States and Native American Tribes. States choosing to submit a team proposal may submit one (1) team proposal in addition to their individual proposal.

## **SOLICITATION ANNOUNCEMENT - FULL TEXT**

### **1. FUNDING OPPORTUNITY DESCRIPTION:**

**1.1. Program Description:** The U.S. Environmental Protection Agency (EPA) is soliciting proposals for an assistance program (the “State Innovation Grant Program”), in an effort to support innovation by State environmental regulatory agencies. In April 2002, EPA issued its plan for <http://www.epa.gov/opei/strategy>). The Agency’s *Strategy* presents a framework for environmental innovation consisting of four major elements:

- (1) Strengthen EPA’s innovation partnerships with States and Tribes;
- (2) Focus on priority environmental issues:
  - Reduce greenhouse gases
  - Reduce smog
  - Restore and maintain water quality
  - Reduce the cost of water and wastewater infrastructure;
- (3) Diversify environmental protection tools and approaches:
  - Information resources and technology
  - Environmental technology
  - Incentives
  - Environmental Management Systems
  - Results-based goals and measures;
- (4) Foster a more “innovation-friendly” organizational culture and systems.

This assistance program strengthens EPA’s partnership with the States by supporting State innovation compatible with the *Strategy*. EPA would like to help States build on previous experience and undertake strategic innovation projects that promote larger-scale models for “next generation” environmental protection and promise better environmental results. EPA is interested in funding projects that go beyond a single facility experiment and obtain better results from a program, process, or sector-wide innovation. EPA is particularly interested in innovation that promotes integrated (cross-media) environmental management and is transferable to other States.

This year's program builds upon a pilot program developed by EPA in 2002 that provided grants for projects featuring innovations in permitting. Projects that received awards in the 2002 competition under this category included:

- Massachusetts - for development of a pilot watershed-based permitting program;
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- Illinois- to develop a system that allows permit holders to make certain permit modifications without prior regulatory approval if they have demonstrated strong environmental stewardship by developing and implementing formal environmental management systems (EMS);
- Texas - to integrate a requirement for EMSs into air and water permitting programs to help drive continuous environmental improvement;
- Colorado - to create facility-level compacts with select industry sectors that eliminate the need for multiple permits and provide a more comprehensive framework for managing environmental activities;
- Arizona - for development of an automated web-based screening and stormwater permitting application system that is linked to GIS information on land use and runoff; and
- Oregon - to develop a streamlined process for managing sediments that will enable faster and more economical decisions about beneficial reuse and other disposal options.



For more information on the 2002 solicitation and awards, please see the EPA State Innovation Grants website at: <http://www.epa.gov/innovation/stategrants/sig2002.htm>, or contact the EPA point of contact identified in section 4.4 below.

The 2003-2004 program will retain “innovation in permitting” as a theme for the solicitation. EPA intends to interpret “innovation in permitting” broadly to include permitting programs, pesticide licensing programs, and other alternatives or supplements to permitting programs. EPA is interested in creative approaches that both (1) achieve mandatory Federal and State standards and (2) encourage performance and address environmental issues above and beyond the scope of minimum requirements. The particular areas of interest for EPA include projects that explore the relationship between Environmental Management Systems (EMS) and permitting. An EMS may have aspects that assist environmental performance in exceeding regulatory requirements or use integrated environmental planning to address facility or community issues not readily regulated under Federal authority. A second particular area of interest is in projects that apply the Environmental Results Program (ERP) model to promote improved compliance and performance across an entire business sector (see: <http://www.state.ma.us/dep/erp/about.htm> ; and also <http://www.epa.gov/permits/masserp.htm>) . The ERP model is an integrated system of compliance assistance, self-certification, and statistically-based performance measurement used to assess sector-wide performance that also promotes pollution prevention. “Innovation in permitting” projects that use either EMS as an innovative permitting method or that are modeled after ERP fall within the scope of this solicitation.

With this 2003-2004 program, EPA is advancing the use of assistance agreements to support several types of innovations in environmental programs at the State level. Following the pilot round of State Innovation Grants in 2002, EPA consulted with the States through the Environmental Council of the States (ECOS) and through a comment period announced in the Federal Register (FRL 7510-7, June 11, 2003) (see <http://www.epa.gov/innovation/stategrants> ) on the grant solicitation process. Based upon the consultation with ECOS and comments received from other sources, EPA made several improvements in the process for this second solicitation - including a pre-announcement process that would allow time for States to consult with EPA Regions on potential projects prior to the solicitation, and increasing the States' response period from 30 days to more than 60 days. One of the recommendations from the consultation was the incorporation of State input into the design and selection of topic areas for subsequent solicitations to ensure that EPA is working to help address State priority areas to the best extent possible.

EPA received support from a large number of the responding States for maintaining *innovation in permitting* as a subject of the next solicitation in order to build and sustain a stable resource base for testing new ideas that can improve this critical core function. Within this topic there was considerable support for EPA assistance to help States explore the relationship between Environmental Management Systems (EMS) and permitting (see: <http://www.epa.gov/ems/>) and to support adoption of the Environmental Results Program (ERP) model (see: <http://www.epa.gov/ooaujeag/permits/masserp.htm> ). Other topics were suggested by the States, but because of the strong support for the *innovation in permitting* theme, the relatively limited amount of funding anticipated this year for the program, and the availability of other funding mechanisms to address at least some of those other issues, EPA has decided to retain this theme and associated

focus areas rather than diffuse the resources available over a broader range of topics which might prohibit adequate funding for projects of significant scale. The EPA National Center for Environmental Innovation (NCEI) is managing the competition for the State Innovation Grants in collaboration with the National Program Offices at headquarters and the EPA Regional Offices. This year, the EPA Office of Solid Waste and Emergency Response (OSWER) is participating by providing funding for a project they will select under this solicitation related to the use of Environmental Management Systems in RCRA permitting.

This solicitation includes the following:

- background information on the State Innovation Grant Program;
- a description of the 2003-2004 program;
- the process for preparing and submitting proposals;
- the State Innovation Grant Program selection criteria;
- a description of the selection and award process;
- a pre-proposal checklist to help States prepare effective proposals (Attachment 1);
- a list of definitions for purposes of this solicitation (Attachment 2).

**1.2. 2003-2004 Project Category for the State Innovation Grant:** EPA intends to support State proposals that involve **innovation in environmental permitting** (including alternatives to permitting) related to one of the *Innovation Strategy* priority environmental areas (see Section 5.2.1), or to other priority areas identified previously by individual States in collaboration with EPA such as in a Performance Partnership Agreement (PPA).

Under this theme, EPA is very interested in promoting the further testing of Environmental Management Systems (EMS) as they relate to permitting programs and encouraging the use of Environmental Management Systems within a tiered permitting structure for environmental leaders in a voluntary program (see- <http://www.epa.gov/ems/>). Some of the policy ideas that might be tested in such a proposal include:

- using an EMS as a foundation for increased consideration of cross-media concerns and unregulated impacts of facilities' operations;
- using EMSs to achieve voluntary reductions in emissions and releases (consistent with or beyond existing regulations) in environmentally overburdened communities or geographic areas with high concentrations of facilities and nearby populations;
- using EMSs to reduce transaction costs and make better use of both agency and facility resources;
- using EMSs to improve compliance and environmental performance and to provide improved information on compliance and performance to regulators and the public;
- using EMSs to improve collaboration with stakeholders and enhance public input and involvement;
- streamlining of administrative procedures (e.g., permitting procedures, reporting and record-keeping) both to create an incentive for EMS use and to make the best use of systems created as part of the EMS;
- testing methods for auditing EMSs to ensure their reliability for regulatory purposes, without creating excessive resource demands or diminishing the value of the EMS as a business tool;
- testing potential incentives for facilities to adopt an EMS.

Under the umbrella of this solicitation, NCEI also is collaborating with the OSWER to help stimulate the application of EMS specifically under the RCRA permitting program. NCEI is interested in supporting projects that apply EMS principles for integrated environmental management and better performance. OSWER envisions supporting a statewide RCRA EMS pilot that, at a minimum, assures the RCRA permitting program is constructed in a way that allows for and facilitates EMS implementation, with continuous emphasis on pollution prevention, improved environmental performance, better compliance, and full public involvement. In such a program, environmental improvements proposed as a result of the EMS would be allowed under the issued RCRA hazardous waste permit, rather than triggering an additional, time-consuming permit modification process.

The goal of the OSWER pilot would be to create a statewide, EMS-friendly climate in order to encourage industry to take voluntary actions above and beyond mandatory requirements. For example, facilities trying to achieve better performance through their EMS may contemplate major changes to their operations (i.e., installation of an acid and caustic scrubber unit and carbon absorption units to further reduce emissions). The RCRA permit modification process needed to implement these changes, however, could be a deterrent because it could require time and resource intensive procedures similar to the initial permitting process. The proposed pilot program could allow such beneficial permit modifications in accordance with streamlined approval procedures that are developed by the State, while promoting the continued public involvement process that is typically built into high-quality EMSs to keep the public informed and involved.

OSWER will also look to the participating State for additional creative approaches to promote and facilitate adoption and implementation of EMSs at RCRA facilities. Such approaches might include the following:

- Ways to use the RCRA permit to share monitoring and other information obtained through a facility's EMS;
- Development of EMS assistance tools and programs on a sector basis;
- Use of performance-based language in the permit to reduce the need for permit modifications required for EMS-based facility changes;
- Development and testing of incentives (e.g., prioritized permit/modification processing, consolidation of permit modifications, public recognition) for adoption and implementation of a high quality EMS.

Another area EPA is particularly interested in is promoting and evaluating further applications of the Environmental Results Program (ERP) model. The Environmental Results Program model is an integrated system of compliance assistance that encourages pollution prevention, self-certification (sometimes in lieu of permitting), and statistically-based performance measurement to gauge performance of an entire business sector. The approach was originally designed by Massachusetts for improving the environmental performance of several small business sectors.

Proposals can incorporate several concepts in one package. Proposals that do include several concepts will be considered favorably. Projects should propose to test these concepts in Federally-delegated/authorized programs or State programs (voluntary or regulatory), while working within the current statutory framework.

These assistance agreements will not be applied to the development or demonstration of new environmental technologies. These assistance agreements will not be applied to the development of information systems or data unless the link to innovation in specific permitting programs is clear (e.g., development of web-based screening and permitting systems).

## **2. AWARD INFORMATION:**

**2.1. Total Amount of Funding, Number of Awards:** Contingent upon Congressional approval of the President's proposed FY 2004 Budget, EPA anticipates that funding in excess of one million dollars (\$1,000,000) may be available for the State Innovation Grant Program for the 2003-2004 competition and awards. EPA anticipates that up to twenty (20) proposals from the 2003-2004 competition may be funded in 2004.

**2.2. Funding Range:** The acceptable range for proposed project budgets will be \$50,000.00 to \$200,000.00. No matching funds are required, but States may offer voluntary "leverage" funding which will be considered more favorably (see, Section 5.3., "Description of the Selection and Award Process") as part of the evaluation leading up to selection.

**2.3. Term and Renewability of Awards:** Funded projects are expected to be structured for a period of one to three years, although States may propose projects with final outcomes on a longer timescale. Funding will not be provided to renew any State Innovation Grant project award beyond the term of the initial award. The EPA will consider a short-term (not to exceed 90 days) no-cost project extension at a recipient's request with justification.

**2.4. Grants or Cooperative Agreements and the Substantive Federal Involvement:** EPA may award a grant or cooperative agreement depending upon the nature of the proposal. If the award is a cooperative agreement, the recipients may expect the substantial involvement of the Federal Grants Project Officer in activities such as: review of project plans and analysis plans, review of quality assurance plans, information acquisition planning, identification of candidate peer reviewers; coordination with other points within EPA and other Federal Agencies; development of project evaluations; and other similar activities. While this solicitation makes frequent reference to this funding opportunity as a “Grants” Program for the sake of simplification, it should be understood that EPA retains the flexibility to select the most appropriate assistance agreement mechanism.

### **3. ELIGIBILITY:**

**3.1. Eligible Applicants:** Only the principal environmental regulatory agency from each State, the District of Columbia and the U.S. Territories are eligible for this 2003-2004 grant program. EPA intends to expand this program to include innovation by Native American Tribes, but will do so in a separate solicitation to follow. EPA would prefer to customize a future solicitation for Native American Tribes around their specific needs, which may not be the same as the States. However, States are encouraged to partner with Native American Tribes in developing team proposals for this solicitation.

**3.2. Cost Sharing:** There is no requirement for cost sharing, however, State proposals may be evaluated more favorably if financial or in-kind leveraging is offered (see Section 5.3.1 below).



**3.3. Other Eligibility Information:** For the 2003-2004 application process, each State's principal environmental regulatory agency (generally, where delegated authorities exist for Federal environmental regulations) may submit only one pre-proposal. A State's principal environmental regulatory agency is encouraged to team with other Agencies in that State or with neighboring States and Native American Tribes. An exception to the "only-one-proposal-per-state" requirement will be granted to States choosing to submit a team pre-proposal. A State may be a participant in one (1) team pre-proposal in addition to their individual pre-proposal. Project proposals submitted from ineligible sources will not be considered and will be returned to the sender.

#### **4. APPLICATION AND SUBMISSION INFORMATION:**

**4.1. Address to Request an Application Package:** Application packages are available from the EPA website at: <http://www.epa.gov/ogd/AppKit/index.htm> . EPA also has a grant writing tutorial available at this website: <http://www.epa.gov/seahome/grants.html> . You can also request an application package be sent to you by fax or by mail by contacting NCEI:

**Gerald Filbin  
National Center for Environmental Innovation  
Office of the Administrator  
U.S. EPA, MC 1807T  
1200 Pennsylvania Ave., NW  
Washington, D.C. 20460  
(202) 566-2182  
(202) 566-2220 FAX**

**or by e-mail request to:** [Innovation\\_State\\_Grants@epa.gov](mailto:Innovation_State_Grants@epa.gov).

#### **4.2. Content and Form of Application Submission:**

**4.2.1. Submission of Pre-Proposals.** The two-phased process for the 2003-2004 solicitation is designed to expedite the proposal and award process for the assistance agreements that EPA anticipates awarding. For the 2003-2004 application process, each State's principal environmental regulatory agency (generally, where delegated authorities exist for Federal environmental regulations) may submit only one pre-proposal. This pre-proposal package submitted by a State should consist of no more than seven (7) pages total, including a project summary page, a narrative of up to five (5) pages (single-spaced), and a one-page preliminary budget proposal. Each State's principal environmental regulatory agency is encouraged to team with other Agencies in that State or with neighboring States and/or Native American Tribes. States choosing to submit a team pre-proposal may submit one (1) team pre-proposal in addition to their individual pre-proposal. A team pre-proposal must come from the principal environmental regulatory agency of one State in the team, and should list the other agencies and points of contact within those partner-agencies and, as appropriate, Native American Tribes. Each principal State environmental regulatory Agency in a team pre-proposal may submit an individual State pre-proposal in addition to participating on a team pre-proposal.

EPA strongly encourages States to make electronic pre-proposal submissions, as an attachment to e-mail, sent simultaneously to the designated EPA Regional Office and EPA headquarters National Center for Environmental Innovation (NCEI) points of contact (see Section 4.6.1 below) Electronic submittals (including a preliminary budget) should be presented in Word Perfect (TM) or MS Word (TM) format. As an alternative, States choosing to mail pre-proposals or send them by courier should provide an electronic copy on

hard media (CD, diskette, zipdisk) or paper original and two (2) copies of their entire pre-proposal package to the EPA Regional representative, and a single copy of the entire pre-proposal package to the NCEI contact identified in Section 4.6.1. An acknowledgment of receipt for your pre-proposal will be sent by NCEI within two weeks from the date of receipt. Receipt of electronic (e-mail) proposals will be acknowledged by a return e-mail notification from NCEI.

Pre-proposals will be ranked by the Regions for States within those Regions (e.g., Region 2 will rank pre-proposals for NY, NJ, PR, VI) using the Program Criteria (see Section 5.2 below). Regional rankings will be submitted to NCEI as part of the phase-one evaluation process. The second part of the phase-one evaluation will be conducted at EPA Headquarters using the qualitative selection factors identified in Section 5.3.1. States with pre-proposals identified by EPA as finalists will be asked to prepare and submit a complete, phase-two proposal package which will include proposal narrative (including plans for public participation), budget, and an application for Federal assistance [SF-424A] with all appropriate certifications and representations (<http://www.epa.gov/seahome/grants/src/msieopen.htm>). Further instructions on the submittal of the phase-two, final application package will be provided to State agencies selected as finalists in phase-one. EPA expects to announce the final selections in mid-winter 2004, and to complete the entire assistance agreement award process, including assistance agreement workplan negotiations between the States, EPA Regions and EPA Headquarters by late winter 2004.

**4.2.2. Preparing the State Innovation Grant Proposal.** Applicants should refer to the pre-proposal checklist to facilitate preparation of their pre-proposal (see, Attachment 1). The entire pre-proposal should not exceed seven (7) pages in length.

- Please do not use covers, binders or folders;
- Pre-proposals may be submitted electronically through e-mail, as instructed above; as an alternative, pre-proposals (in hard copy) should be submitted on 8 ½ x 11" paper (single-spaced), or may be submitted as electronic copy on a physical media (CD, diskette, or Zipdisk);
- Use font no smaller than 11-point and have one inch page margins all around.

The project pre-proposal should contain the following in the given order:

**4.2.2.1. Project Summary Information Page.** (Recommended length: one (1) page of the total seven (7) pages.) The summary page should include:

- Project title and location;
- Name of applicant State agency (For multi-State and multi-governmental agency pre-proposals, one State lead should be identified as the main contact and the other Agencies' contacts listed, as well;
- Name of project contact, address, telephone and fax numbers, and e-mail address;
- Indicate if the project has a significant component related to hazardous waste management and permitting under the Resource Conservation and Recovery Act;

- Indicate if the project is being executed in cooperation with or funded by another Federal program; if so, please identify the program;
- Indicate whether, and what types, of regulatory flexibility (from the Federal government) potentially may be needed to implement the project;
- Indicate by a statement that the Commissioner (or Secretary or Administrator, as appropriate) or senior deputy of the State agency endorses the project (for finalists selected from this competition, a letter will be required with the final application and proposal).

**4.2.2.2. Pre-proposal Project Narrative** (not to exceed 5 pages - *Where a pre-proposal narrative exceeds five pages, additional pages will not be considered.*) It would be very useful if in the introductory paragraph, the proposal describes how the project builds on the concepts identified in the EPA *Innovation Strategy* by addressing the following:

- Identify how your project demonstrates broad, strategic innovation (e.g., application of the innovation across an entire sector or regulatory program rather than for a single facility) and what vision you have for the overall impact of the project;
- Identify the outcome goals and objectives for the project, and provide specific information on how the outcomes will be measured and how the project's specific outcomes will be evaluated against current conditions.

Please note that submittal of a Federal Form SF-424A is not required with this pre-proposal but will be required of finalists when they submit their more detailed

proposal with their final application package. State agencies are advised that under new guidelines from the Office of Management and Budget (OMB), finalists will be required to submit their DUNS number with their final application package however it is not required for the pre-proposal submission.

- **Project Schedule and Time Frame.** As part of the pre-proposal narrative, identify timelines for tasks, key activities for project completion, milestones, products, measures, and outcomes. It will be absolutely essential for applicants to identify the expected environmental improvements and the ways that they will be measured as part of this pre-proposal. Identify the proposed project start date and duration (the exact date will be negotiated with EPA if your project is selected). Project durations of one to three years will be permitted under the 2003-2004 competition for the State Innovation Grant Program.
- **Meeting Program Criteria Requirements.** As part of the pre-proposal narrative, address the program criteria factor-by-factor. The specific criteria are found in Section 5.2, “Program Criteria” of this notice. Include any criteria subheadings and refer specifically to the criteria in organizing your responses. Definitions of some of the key terms included in the criteria are provided in Attachment 2.

**4.2.2.3. Proposal Budget Summary Page.** (Length: one (1) page of the total seven (7) pages.) Be sure to review Section 2.2 of this notice, “Funding Range,” before

preparing your budget. Prepare a proposed budget showing expected costs by major categories (personnel, travel, supplies, rent, subcontracts, etc.). States may offer a voluntary “leverage” in their budget - a contribution of partial State funding or other resources (no matching funds are required but States may provide any level of voluntary “leverage” funding which may be considered along with in-kind contributions as part of the qualitative selection factors identified in Section 5.3 below. The budget summary page should indicate the amount of EPA money requested, the dollar value of any State leverage funding and the total cost of the project.

Here is an example of a budget summary format:

State:  
Agency:  
Project Title:

	Total Project Costs	Proposed State Leverage Funds	EPA Funding
Staff Salaries and Benefits	\$41,000	\$ 5,000	\$36,000
Travel	\$ 7,000		\$ 7,000
Supplies	\$ 4,000		\$ 4,000
Service Contract	\$ 8,000	\$ 7,000	\$ 1,000
TOTAL:	\$60,000	\$12,000	\$48,000

**4.3. Timeline for Proposals.** This assistance agreement program will use a two-phased proposal process. The first phase calls for development of brief pre-proposals (a one [1] page project summary, a brief narrative not to exceed five [5] pages and a one [1] page budget). The period for submission of pre-proposals for the first phase of the 2003-2004 competition will close 68 days

following publication of this solicitation notice, January 7, 2004. The principal environmental regulatory agency for each State (generally, where delegated authorities for EPA's Federal environmental regulations exist, although States without delegated authorities for Federal environmental programs are also encouraged to apply) may submit one pre-proposal electronically (e-mail preferred, fax accepted), by 4:30 PM EST on January 7, 2004. As an alternative, States may mail pre-proposals to EPA, and they must arrive at the NCEI office no later than 6:00 PM EST and at the appropriate EPA Regional Office by 5 PM local time on January 7, 2004. For courier delivery, State pre-proposals should arrive at EPA Headquarters and at EPA Regional offices, by 6:00 PM EST on January 7, 2004 (see, Section 4.6.1 for addresses for mail and courier service. Note that the courier delivery address is different than the mail address for EPA Headquarters). Proposals received after the designated times on that date will not be considered in the selection process without prior approval by NCEI. NCEI may grant an exception to this deadline in the form of a brief extension under extenuating circumstances such as local power outages or internet interruptions, providing documentation can be provided by the State Agency.

EPA expects that by the end of mid-winter 2004, States with pre-proposals selected for further consideration will be asked to prepare a more detailed proposal, and will be given approximately four (4) weeks to develop and submit that detailed proposal (including an application for Federal assistance).

**4.4. For Further Information:** For questions about responding to this solicitation, contact Gerald Filbin, National Center for Environmental Innovation, Office of the Administrator, U.S. EPA (MC 1807T), 1200 Pennsylvania Ave., NW, Washington, D.C. 20460 (202-566-2182). Questions may



be submitted as well, in written correspondence by mail, e-mail (state\_innovation\_grants@epa.gov) or fax [(202) 566-2220]. EPA will respond to all questions in writing and all questions and EPA responses will be posted on the EPA website at <http://www.epa.gov/innovation/stategrants> . State Agencies are advised to monitor that website for information posted in response to questions received during the assistance agreement competition period.

**4.5. Funding Restrictions:** Even though a proposal may involve an eligible applicant, eligible activity, and eligible purpose, assistance agreement funds cannot necessarily pay for all of the costs which the recipient might incur in the course of carrying out the project. Allowable costs are identified in the EPA regulations cited below and in OMB Circular A-87, “Cost Principles for State, Local, and Indian Tribal Governments.” Generally, costs which are allowable include salaries, equipment, supplies, training, rental of office space, etc., as long as these are, “necessary and reasonable.” Entertainment costs are an example of unallowable costs. EPA can not approve expenditure of funds prior to the actual award.

#### **4.6. Other Submission Requirements:**

**4.6.1. Contacts for Pre-proposal Submittal:** Please submit pre-proposals to the appropriate Regional contact and to the EPA HQ National Center for Environmental Innovation:

##### **Regional Contacts**

**Anne Leiby**  
**U.S. EPA Region I**  
**1 Congress Street, Suite 1100, RSP**  
**Boston, MA 02114-2023**  
**(617) 918-1076**

**Jennifer Thatcher**  
**U.S. EPA Region 2**  
**290 Broadway, 26th Floor**  
**New York, NY 10007-1866**  
**(212) 637-3593**

**leiby.anne@epa.gov**  
**States: ME, NH, VT, MA, CT, RI**

**thatcher.jennifer@epa.gov**  
**States & Territories: NY, NJ, PR, VI**

**Marie Holman**  
**U.S. EPA Region 3**  
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**States: AK, ID, OR, WA**

Headquarters Office:

**State Innovation Grants Program**  
**National Center for Environmental Innovation**  
**Office of the Administrator**  
**U.S. EPA (MC 1807T)**

**1200 Pennsylvania Ave., NW  
Washington, D.C. 20460**

**(202) 566-2182  
(202) 566-2220 FAX  
Innovation\_State\_Grants@epa.gov.**

**For courier delivery only:  
Gerald Filbin  
U.S. EPA  
EPA West Building, room 4119  
1301 Constitution Ave., NW  
Washington, DC 20004**

**4.6.2 Submitting the Pre-proposal.** As noted above in section 4.2.1, pre-proposals may be submitted electronically through e-mail. As an alternatives, pre-proposals (in hard copy) should be submitted on 8 ½ x 11" paper (single-spaced), or may be submitted as electronic copy on a physical media (CD, diskette, or Zipdisk). Proposals received after the designated times on January 7, 2004 will not be considered in the selection process without prior approval by NCEI. NCEI may grant an exception in the form of a brief extension to this deadline under extenuating circumstances such as local power outages or internet interruptions, providing that documentation can be provided by a State Agency.

## **5. APPLICATION REVIEW INFORMATION:**

### **5.1. Threshold Factors:**

In addition to the Program Criteria listed in Section 5.2 below, an applicant's project must meet the following two important threshold factors to be considered for funding. EPA should be able to determine from the pre-proposal whether the project meets these threshold criteria:

**5.1.1. Threshold Factor #1.** A project must consist of *activities* authorized under one or more of the six EPA grant authorities cited in Section 4 above. Most of the statutes authorize assistance agreements for the following activities: “...*research, investigations, experiments, training, demonstrations, ...* .” These *activities* relate generally to the gathering or transferring of information or advancing the state of knowledge. Assistance agreement proposals should emphasize a “learning” concept associated with a new approach or innovation, as opposed to only “fixing” an environmental problem using a well-established method. The project’s activities should advance the state of knowledge or transfer information. The statutory term “demonstration” may encompass the first use of a new innovation, or the application elsewhere of a previously-used innovation. The term “research” may include the application of established practices when they contribute to “learning” about an environmental concept or problem.

**5.1.2. Threshold Factor #2.** In order to be funded, a project’s *focus* generally should be included among the ones that are specified in the statutes cited in Section 4 above. For most of the statutes, a project must address the causes, effects, extent, prevention, reduction, and elimination of air, water, or solid/hazardous waste pollution, or, in the case of assistance agreements under the Toxic Substances Control Act or the Federal Insecticide, Fungicide and Rodenticide Act, “carrying out the purposes of the Act.” While the purpose of the State Innovation Grant Program is to promote innovative approaches to environmental protection, an overarching goal of the program is to focus on the statutory purpose of the applicable grant authority, in most cases “to prevent or control pollution.” In light of this, proposals relating to other topics which are sometimes included within the term

“environment” such as recreation, conservation, restoration, protection of wildlife habitats, etc., should describe the relationship of these topics to the statutorily required purpose of pollution prevention and/or control. Proposals with an integrated, multi-media (and/or multi-statute) approach are encouraged. For assistance in understanding statutory authorities under which EPA is providing these assistance agreements, please contact the EPA representative listed in Section 4.5.1 of this notice.

**5.2. Program Criteria:** As referenced in the “Summary,” Section 1, the selection criteria for the State Innovation Grant Program are intended to advance the goals and priorities of EPA’s *Innovation Strategy* and build on lessons EPA and States have learned from previous innovation initiatives. Building on this premise, all State proposals should address the criteria described in detail below. EPA will evaluate and rank the proposals based on the four criteria in this section. (After reading the criteria below, States interested in submitting a proposal should review the *Innovation Strategy* at <http://www.epa.gov/opei/strategy>. An interested State should also see: Section 5.1, Threshold Factors; and Section 5.3, Description of the Selection and Award Process; Section 6.2.1, Statutory Authority.)

**5.2.1. Target Priority Environmental Issues.**

**25 points**

Generally, the proposal should focus on priority environmental issues identified in the *Innovation Strategy*. Alternatively, the project may focus on other priority issues identified through other State-Federal collaboration processes such as development of a Performance Partnership Agreement (PPA). The core of the proposed project should be innovation in

permitting or alternatives to permitting that will provide measurably better results than conventional program approaches.

In selecting projects for funding under this competition, EPA will consider favorably, proposals that are multi-media, or multi-State, or multiple-agency. (Please note States may be party to one multi-agency, multi-State or State-Tribal project proposal in addition to their individual proposal). A State project may focus on a single environmental media program (e.g., water, air, waste, or toxics). The project selected by OSWER will focus on hazardous waste management. States must propose projects that integrate innovation into permitting programs or apply innovation as an alternative to permitting to achieve improved environmental performance. EPA expects to fund some variety of project types, including projects that apply the principles of environmental management systems for integrated environmental management and performance and applications of the Environmental Results Program model.

**5.2.2. Likely Improvement in Results from Project Implementation.** 25 points

The proposal should identify what permitting programs or activities are involved in the project. The project proposal should clearly identify how the innovation will result in measurable improvements in environmental results with respect to water and energy use, reduction in waste generation or disposal, reduction in releases of contaminants into the air or water, or habitat quality. Wherever possible the projects should also demonstrate any improvement in administrative efficiency and reduced program costs, or cost savings to the permitted entity. The proposal should specifically address the following questions:

**5.2.2.1.** How does the proposed tool or approach differ from current methods (i.e., “uniqueness”)?

**5.2.2.2.** How does the project build on “lessons learned” from prior experience (not limited to the proposing State’s own experience)?

**5.2.2.3.** What are the quantifiable improvements in environmental outcomes expected to result from implementation of this innovation ?

**5.2.2.4.** What are the measurable improvements in administrative efficiency and program operational costs that may result from the program?

**5.2.2.5.** What are the quantifiable costs and efficiency improvements for the permit holders/ regulated entities resulting from implementation of this innovation?

**5.2.3. Measuring Improvement and Accountability.**

25 points

The proposal should establish goals for the innovation and indicators to measure progress toward meeting these goals. Projects should have clear objectives, requirements and performance indicators in order to allow independent evaluation of the success of the project. The proposal should clearly identify baseline and final outcome measures and provide a commitment from the sponsor to track, measure and report and evaluate the results. The State should identify:

- how it will make information about the project, including performance data, available to stakeholders in a form that is easily accessible and understandable.
- a timeframe within which results will be achievable.

The proposal should also specifically address the following questions:

5.2.3.1 What are the goals for environmental improvement?

**5.2.3.2** What are the indicators that will be used to show environmental improvement?

(Goal and objective measures should be both qualitative and quantitative and should assess the project's measurable benefits.)

5.2.3.3. How and when will the baseline measurements be developed?

**5.2.3.4.** What is the plan, timeline, and commitment for measuring and evaluating how well the project meets its goals and objectives?

**5.2.3.5.** What are the expected short-term (within one to three years) results to be obtained through this innovation and how will they be measured?

**5.2.3.6.** What are the expected long-term results to be obtained through this innovation, how will they be measured, and what is the time span for those results?

**5.2.4. Transferring Innovation.**

25 points

The proposal should describe how the innovation potentially could be replicated or more broadly applied by the proposing State, other States, or EPA. To address this issue, the proposal should answer the following questions:

**5.2.4.1.** What methods will be used to document the outcomes and methods of this innovation and make the information available to other jurisdictions?

**5.2.4.2.** What is the specific potential for widespread application or use of the tool/approach as a model for “next generation” environmental protection?

**5.2.4.3.** How will the application of this innovation be used to promote organizational system change, or develop a culture of innovative environmental problem-solving as a “way of doing business” within the State or more broadly?



**5.2.4.4.** What commitments can the proposing State make to provide consultation and mentoring to other States wishing to adopt similar innovations?

State recipients may also be required to assist EPA or an EPA-designated third party evaluator in conducting a project evaluation during the course of, and/or immediately following completion of the project by providing data, interviews and assistance in contacting project cooperators or stakeholders.

### **5.3. Description of the Review, Selection and Award Process:**

As it did in the 2002 competition cycle, EPA will select State recipients of the 2003-2004 State Innovation Grants through a national competition. The competition will be conducted using a two-phased process.

**5.3.1. Phase-one Pre-Proposal Process.** In phase one, EPA is soliciting short “pre-proposals” and preliminary budgets from fifty-five (55) jurisdictions including the States, the District of Columbia, and U.S. territories. All pre-proposals submitted by States, DC, and the territories will be evaluated by the respective EPA Region and ranked according to the Program Criteria, Section 5.2 above. The Regions will forward their rankings to EPA Headquarters for review by an Agency panel that will make recommendations for selection of finalists to the decision officials in NCEI and OSWER. In identifying State finalists, EPA will consider the Program Criteria and will consider **qualitative selection factors**, such as:

- geographic diversity;
- project diversity;

- project cost;
- amount of State voluntary leveraging funds;
- feasibility (likelihood of project success within the proposed budget and timeframe);
- institutional readiness and commitment (existing capacity or infrastructure within the State that supports the development and implementation of the project; including factors such as people, knowledge, skills, partnerships, and previous innovation experience);
- indication of collaboration with other government organizations (e.g., regional, local, or other State, or Tribal agencies) with responsibility for areas of environmental protection or regulation.

**5.3.2. Phase-two Final Proposals and Awards.** States selected as finalists will be asked to submit a more detailed proposal, budget, and an Application for Domestic Federal Assistance (SF-424A). EPA expects to solicit final proposals including budgets from up to twenty (20) finalists in the competition some time in mid-winter, 2004. States will be given four weeks to complete and submit the final proposal package. Final proposal packages will be submitted to the NCEI in compliance with requirements that will be transmitted with the solicitation for the final proposal process. EPA will provide guidance on the preparation of final technical proposals, including guidance on outcome monitoring and evaluation. EPA expects to complete the entire assistance agreement award process, including final evaluations, budget, workplan negotiations, and award to the finalists in late winter, 2004.

## **6. AWARD ADMINISTRATION INFORMATION:**

**6.1. Award Notices:** Although the selections will be made nationally, State Innovation Grants selected by NCEI will be awarded and managed by the respective EPA Regional Office. The project or projects selected by OSWER will be managed by that office from EPA Headquarters. States selected to receive Innovation Grants will be contacted by the appropriate EPA Regional Office or OSWER with the decision about their awards. EPA will provide each State finalist with any necessary information for the preparation of the final proposal package and will be available to answer any questions.

**6.2. Administration and National Policy Requirements:**

**6.2.1. Statutory Authority:** EPA expects to award State Innovation Grants under the following six assistance agreement authorities: Clean Air Act, Section 103(b)(3) (*42 U.S.C. §7403(b)(3)*); Clean Water Act, Section 104 (b)(3) (*33 U.S.C. §1254 (b)(3)*); Solid Waste Disposal Act, Section 8001 (*42 U.S.C. §6981*); Toxics Substances Control Act, Section 10 (*15 U.S.C. §2609*); Federal Insecticide, Fungicide, and Rodenticide Act, Sections 18 and 20 (*7 U.S.C. §136p and 136r*); and Safe Drinking Water Act, Sections 1442(a) and (c) (*42 U.S.C. §1(a) and (c)*).

**6.2.2. Freedom of Information Act (FOIA) and Confidential Business Information (CBI).** Applicants should be aware that proposals submitted under this or any other EPA assistance agreement program are subject to the Freedom of Information Act (FOIA) (*5 U.S.C. §552*). This means that subject to certain exemptions under Section 552(b) of the Act, the public can request and receive copies of all the information submitted in your assistance agreement proposal. If your application contains any Confidential Business

Information (CBI) as defined in 40 C.F.R. §2.201, please highlight it so the confidentiality can be protected in the event of a FOIA request.

**6.2.3. Applicable Grant Regulations and Orders.** 40 CFR part 31 establishes uniform administrative rules for Federal grants and cooperative agreements. Applicants will also comply with EPA Order 5360.1AZ which requires development and implementation of quality assurance plans in the acquisition and analysis of environmental data.

**6.2.4. Paperwork Reduction Act.** The information collection provisions in this document for solicitation of proposals have been approved by the Office of Management and Budget (OMB) pursuant to the Paperwork Reduction Act, 44 U.S.C. 3501 et seq. in a generic Information Collection Request titled , “Generic Administrative Requirements for Assistance Programs” (ICR No. 938.06 and OMB Approval No. 2030-0020). A copy of the Information Collection Request (ICR No. 938.06) may be obtained from Monica Lewis in the Office of Environmental Information , EPA, 1200 Pennsylvania Ave., NW (Mail Code 2822T), Washington, DC 20460 or by calling (202) 566-1678. EPA is not requiring that States perform a “collection of information” as that term is defined by 5 CFR 1320.3(c) to qualify for funding under this solicitation.

**6.2.5. Disputes.** Disputes over awards will be resolved in accordance with 40 CFR 31.70.

**6.2.6. Compliance With Executive Order 12372.** To the extent required by individual States for their State agencies, final successful applicants will be required to contact affected State, regional, and local governments as required under Executive Order (E.O.). 12372.

**6.2.7 Compliance with EPA Order 5700.5.** This competition is in compliance with the requirements of EPA Order 5700.5; Policy for Competition in Assistance Agreements, (September 12, 2002).

**6.2.8. Reject or Award Right.** The U.S. EPA reserves the right to make no awards under this solicitation.

**6.2.9. Duration.** Funded projects are expected to be structured for a period of one to three years, although States may propose projects with final outcomes on a longer timeline. The proposal should indicate what types of interim or surrogate measures of performance will be used while a multi-year project is in operation. Funding duration will not exceed three years, and follow-on funding from EPA in later assistance agreement cycles is not possible. The EPA may consider a short-term (not to exceed 90 days), no-cost project extension at a recipient's request with justification.

**6.3. Reporting:** Award recipients will be required to report both quarterly for the duration of the project and at the project's completion. Reports are due to EPA within 30 calendar days following the quarterly date and 30 days following completion of the project. Reports are to be made to the EPA designated Federal Project Officer (FPO) for each award with copies provided simultaneously

by the recipient to NCEI. Reports are to include assessments of how project time lines and milestones are being met; a financial report documenting the rate of expenditure and how well project expenditures are matching expected rates of spending, and an assessment of progress toward reaching the final project goals. Quarterly and Final reports should include data tables and supporting documentation as necessary. Electronic reporting is preferable to paper reporting. A final format requirement for these reports will be negotiated between the State agency and EPA during preparation of the final, detailed proposal. State recipients may also be required to assist EPA or an EPA-designated third party evaluator in conducting a project evaluation during the course of, and/or immediately following completion of the project by providing data, interviews and assistance in contacting project cooperators or stakeholders.

## **7. AGENCY CONTACTS:**

**7.1. For Information or Questions about Responding to this Solicitation:** The EPA contact for questions regarding this solicitation is:

Gerald Filbin,  
National Center for Environmental Innovation  
Office of the Administrator  
U.S. EPA (MC 1807T)  
1200 Pennsylvania Ave., NW  
Washington, D.C. 20460  
202-566-2182  
202-566-2220 FAX.

**7.2. Alternative Contact:** Additionally, interested parties may contact the State Innovations Grant Program in the following ways through NCEI's general program number at:(202) 566-0495; by FAX at (202) 566-2220; or by e-mail at this address:  
[state\\_innovation\\_grants@epa.gov](mailto:state_innovation_grants@epa.gov) .



## **Attachment 1**

## **Pre-Proposal Checklist for State Innovation Grant Program**

### **1. Project Category**

(Section 1.2)

G Read “2003-2004 Project Category for the State Innovation Grant” re: permitting innovation.

### **2. Summary Page** (1 page)

(Section 4.2.2)

#### **•Summary Information**

(Section 4.2.2)

G Project title and location.

G State agency applicant (multi-State projects count as the one and only project for each State involved); contact name, phone and fax numbers, e-mail, address.

□ Indicate if the project is focused on hazardous waste management and permitting under the Resource Conservation and Recovery Act.

G Indicate if the project is being executed in cooperation with or funded by another federal or EPA program and, if so, identify the program.

G Indicate if and what types of regulatory flexibility (from a federal requirement) are potentially needed to implement the project.

G Indicate in a cover message or letter that the Commissioner (or Secretary or Administrator, as appropriate) or senior deputy of the State agency knows of and supports the project. A letter of commitment from Agency Senior Management will be required only for finalists when they submit a final proposal and Application for Federal Assistance.

#### **•Summary Budget Information** (1 page) (Section 4.2.4)

G State Contact Information

G Project Title

G Review Section 2.2, “Funding Range” before preparing your budget.

G Show expected costs by major categories.

G Include how State funds will be spent and what the sources of those funds are.

G Dollar amount requested from EPA.

G Dollar amount of voluntary leverage funding offered by the State.

G Dollar amount of total project budget.

### **3. Pre-proposal narrative** (no more than five (5) pages)

G Introductory paragraph (one paragraph). (Section 4.2.3).

G Project Schedule and Timeframe (Section 4.2.3.1.).

G Program Criteria. (Sections 4.2.3.2).

- Target Priority Environmental Areas (Sections 1.1 and 5.2.1).

- Likely Improvement in Results from Project Implementation (Section 5.2.2)

- Guaranteeing Measures and Accountability (Section 5.2.3).

- Transferring Innovation (Section 5.2.4).

### **4. Threshold Factors**

(Section 5.1)

G These should be ascertainable in pre-proposal, not individually addressed.

### **5. Qualitative Selection Factors.**

(Section 5.3.1)

In addition to the Program Criteria, EPA may consider other factors in selecting pre-proposals, such as geographic diversity; project diversity; project cost; amount of State voluntary leveraging funds;



feasibility; multi-media, multi-State, or multi-governmental agency projects; institutional readiness and commitment; and the amount of federal funding available.

**6. Total Pre-proposal Page Limit:** not to exceed 7 pages

G One page Project Summary

G One page Budget Summary

G Narrative (not to exceed 5 pages)

G A one-page cover letter or message will not count against the 7-page limit.

## Attachment 2

### Definitions.

**Environmental Innovation** - The integration of alternative regulatory and non-regulatory strategies that promise better environmental and public health protection than that provided through existing regulatory approaches.

**Regulatory Flexibility** - Providing alternatives to prescribed regulatory requirements for a regulated facility that will provide for superior environmental performance, cost savings, and expedited regulatory permitting and review.

**Environmental Management Systems (EMS)** - A continual cycle of planning, implementing, reviewing and improving the processes and actions that an organization undertakes to meet its business and environmental goals. Most EMSs are built on the "Plan, Do, Check, Act" model. For more information see: <http://www.epa.gov/ems/>

**Environmental Results Programs (ERP)** - An innovative program in which State regulatory agencies: educate regulated facilities about their environmental impact and obligations; require the facilities to self-evaluate and certify compliance; and measure environmental performance change. The approach may involve the development of industry-wide performance standards as an alternative to regulation. For more on ERPs see: <http://www.epa.gov/ProjectXL/massdep/100698.pdf>.

**Performance-based Programs** - Environmental management programs that shift the focus of environmental permitting toward the measurement and assurance of performance by providing the regulated facility flexibility in how they meet performance standards.

**Pollution Prevention** - Any practice that (1) reduces the amount of any hazardous substance, pollutant or contaminant entering any waste stream or released into the environment (including fugitive emissions) prior to recycling, treatment or disposal, and (2) reduces the hazards associated with such substances, pollutants or contaminants; and (3) other practices that reduce or eliminate the creation of pollutants through increased efficiency in the use of raw materials, energy, water or other resources; or (4) protection of natural resources by conservation.